



# The Real Estate ANALYST

MAY 25  
1960

Volume XXIX

Number 21

*As I see it*

## HOW HIGH WILL THE SIXTIES SOAR? (IN TWO PARTS) (PART I)

**D**URING an average week, and this one has been no exception, I receive reports on the economic outlook that vary from predicting a collapse almost as great as that of the 1930's, to others expecting unprecedented prosperity. I am sure that all of our readers have the same experience. As a practical matter, the business man has to decide which forecast he is going to believe and, if he is in the real estate field, how this forecast will affect the type of real estate in which he is interested.

It seems to me that any person trying to outguess the next 10 years must start with certain facts which more or less set the "climate" for this period. The first of these facts would be the so-called "population explosion." While there may be some question about the increase in the number of children under 10, it is relatively easy to estimate what our population will be in 1970 by age groups for all ages from 10 years and up. These people have already been born, and projections merely advance these ages, applying the proper death rates to each group and making some allowance for in- and outmigrations.

The second factor which is fundamental to any discussion of the 1960's is the public and private debt which we have accumulated during the period in which the Federal Government vied with the individual as to who could live farthest beyond their incomes. The individual who complained that every time he caught up with the Joneses they refinanced unfortunately was not exaggerating too much. That this was a wise policy during a period when our money was losing its value because of inflation, does not change the fact that we are entering the period of the 1960's badly in debt, as a nation and as individuals.

A third factor is the international situation, which certainly, since the Summit fiasco would seem to indicate that expenditures for armament will be stepped up in the period ahead, and that the cold war will probably reach sub-zero levels.

A fourth factor which will influence developments in the 1960's is the farm situation. For more than a generation the Federal Government has subsidized the farmer to allow the marginal operator to stay in production when he should have left the farm and become an industrial worker. This was being done at the same time that the Department of Agriculture and the State-supported ag-

ricultural schools were teaching young farmers how to produce more per acre at lower cost. The inevitable result has been a tremendous surplus, raised at Government expense, and overhanging the market, acting as a depressant on price.

A fifth factor which must be weighted rather heavily in any estimates of the 1960's is the tremendous producing capacity we have built up in the United States. We have reached the point through research and ingenuity where the choice now lies between greatly increased standards of living and greatly increased leisure time, or spending a greater percentage of our income on insuring our world dominance. This latter choice may be necessary.

I would like to discuss the first of these factors in this bulletin, and continue the discussion in the "As I See It" in June.

Our population is increasing at a rate very much greater than many population students anticipated a number of years ago. In 1935 one of the foundations for population research was predicting a stabilized population in the United States in the very near future, and its director, speaking at the convention of the National Association of Real Estate Boards in Minneapolis, stated that we would never have another big real estate boom because of our matured rate of growth. I spoke on the same program in radical disagreement, and the following year wrote The Coming Boom in Real Estate. A month later, in The American Mercury, an answering article appeared headed, "The Coming Real Estate Crash."

Long-range population forecasts are always dangerous, as it is next to impossible to predict future birth rates. For that reason, some leeway should be allowed in all population projections. It can never be assumed that an existing trend will continue into the future. Abraham Lincoln made this assumption in his first annual message to Congress about 100 years ago, when he concluded his message with the statement, "There are already among us those who if the Union be preserved will live to see it contain 250,000,000."

Hardly had the ink dried on many of the population forecasts for the Soaring Sixties when the Bureau of Vital Statistics of the Federal Government issued the statement that the birth rate had been dropping each month for the past 6 months.

Let us accept for a minute, however, the forecast that population will increase rapidly during the 1960's, as this general statement is undoubtedly true. The most optimistic forecast is that our total population will increase by 38 million people, or more than 21% during this period. The least optimistic seems to indicate that it will increase by 23 million, or 13%. These are sizable figures and would indicate that considerably more housing will be needed during this period, and with this conclusion there can be little disagreement.

I find, however, a study made by the United States Savings and Loan League on the age of mortgage borrowers in 1957 very challenging, and find that it can give us some inkling on how this population increase will affect conventional mortgage lending on single-family residences. It is very interesting, that according to the United States Savings and Loan League, only 2.9% of single-family residential mortgages made by savings and loan associations in 22 metropolitan areas were made to persons under 25 years of age. This group is expected to increase by 61% by 1970 from the 1957 total, the year in which the age study on mortgages was made. By comparing the percentage of mortgages made to persons less than 25 years old with the percentage of population in the United States less than 25 years old in 1957, we find that it takes more than 43 times as many people in this age group to produce one mortgage as it does in the age group from 35 to 39. According to the mortgage age study, only 3.3% of the mortgages in 1957 were made to persons 60 years of age and over. By comparing this with the percentage of population in this group in 1957 we find that it takes 11 times as many persons in this age group to produce one mortgage as it does in the 35 to 39 grouping. The two extreme age groupings, by the way, are the ones which will increase most rapidly in number.

Thirty-nine percent of the mortgages that were made in 1957 were made to persons from 30 to 39 years old. The 30- to 34-year-old age group will decrease in the 13-year period by 6%, and the 35- to 39-year-olds will decrease by 7%.

Assuming that approximately the same age distribution will occur in mortgages on single-family residences in 1970, applying these percentages to the numbers of people in the various age groups at that time, we find that, other things being equal, we can expect an increase of only 8% in the number of mortgages. This ties in with other studies we have made, which would indicate that a larger percentage of the new population in the 1960's will be accommodated in multifamily dwellings, and that we cannot expect a continuation of the single-family residential developments at the same rate in the 1960's as these developments took place in the 1950's.

The table on page 244 shows the various age groupings; the expected increase in population in each grouping from 1957 to 1970; the percentage of single-family mortgages made to persons in each grouping; and, in the last column, the number of persons in each age group necessary to produce the same number of mortgages.

Entirely aside from the real estate implications of the "population explosion," I am rather concerned with the fact that the greater part of the increase is going to be in the age groups who are consumers but not producers. Those under 20 in our population will show increases ranging from slightly more than 6 million to more than 21 million, and most of these individuals will be either at home or in school. The group from 15 to 19 years old will increase by 44%. In contrast, the number of persons from 30 to 34 will decrease by  $2\frac{1}{2}\%$ , and

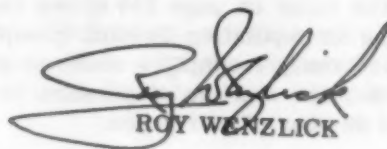
**SAMPLE STUDY MADE IN 22 METROPOLITAN AREAS  
OF CONVENTIONAL MORTGAGES ON SINGLE-FAMILY RESIDENCES**

<u>Age Group</u>	<u>% Increase in Population 1957-1970</u>	<u>% of Mortgages in 1957 to Age Groups</u>	<u>No. of Persons in Each Age Grouping Necessary to Produce the Same No. of Mortgages</u>
Under 25 years	+61%	2.9%	43,200
25 to 29 years	+19	14.6	1,300
30 to 34 years	-6	19.2	1,100
35 to 39 years	-7	19.9	1,000
40 to 44 years	+4	16.3	1,100
44 to 49 years	+16	11.8	1,500
50 to 54 years	+21	7.5	2,000
55 to 59 years	+28	4.5	3,000
60 years and over	+30	3.3	10,800
		<u>100.0%</u>	

from 35 to 39 by 11%. In the older age groups we will again find large increases, those over 65 increasing by 24%. These estimates cover the 1960-70 period.

I am not belittling the value of education, as I think for the long pull it will increase the total productive capacity of the country, but during the period in which a large part of the increase of our population is an increase in those attending school, the drain on the economy will be considerable, as a smaller number of producers will have to support an increasing number of consumers. Only through rapidly expanding per capita production methods can this be offset in the immediate future.

\* Balancing the pluses against the minuses, it seems to me that the population increases in the 1960's will not add nearly so much to our prosperity as many persons have led us to believe.

  
ROY WENZLICK

